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## Agenda Item 3a

September 13, 2011

### TO: MEMBERS OF THE AD HOC RISK MANAGEMENT COMMITTEE

- I. **SUBJECT:** Office of Enterprise Risk Management – Action Plan Update
- II. **PROGRAM:** Enterprise
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

Over the past month, a major focus of the OERM has been integrating the consideration of risk into CalPERS governance processes. Initiatives are currently underway to manage risks in the 2011-12 Business Plan, consider risk in the development of the 2012-13 Plan and budget, and include an assessment of risk in all action items brought to the Board.

On August 19, Executive Staff reviewed the 2011-12 Business Plan Risk Assessment, conducted by the OERM and Audit Services. This assessment included the risks addressed by the plan, risks to completing objectives, and mitigation strategies currently underway. Risks to completing objectives will continue to be monitored at quarterly Executive Staff meetings. The OERM is also working with strategy and budget areas to incorporate consideration of risk into documents and processes used in creating the 2012-13 Plan and budget.

In addition to planning, many key decisions are made through action items brought to the Board. In an effort to highlight risks associated with action items, the OERM has developed draft changes to the agenda item template and a series of questions designed to ensure risk is fully considered. These changes will be reviewed by the Executive Risk Management Committee prior to implementation.

As the capacity of the office increases, the OERM will begin working with the program areas to integrate risk consideration into other key decision-making processes, such as the review of actuarial policies, performance compensation, and rate negotiations. Attachment 1 shows key steps in integrating risk into governance, and some of the processes that will be involved.

The OERM has also made significant progress on other areas of focus. This information is included in the attached Action Plan Update (Attachment 2).

**V. STRATEGIC PLAN:**

This item is part of the Strategic Plan, Enterprise Priority 3 – Building Internal Strength. Specifically, it supports objective 3, to institute an Enterprise Risk Management function to effectively evaluate, monitor, and manage risk across the organization.

**VI. RESULTS/COSTS:**

N/A

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LARRY JENSEN  
Chief Risk Officer  
Office of Enterprise Risk Management

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RUSSELL G. FONG  
Acting Chief Financial Officer

Attachment